

Message Text

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ACTION ARA-20

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02 SCI-06

NSC-07 SS-20 STR-08 CEA-02 L-03 H-03 PA-04 USIA-15

PRS-01 DRC-01 /180 W

----- 064957

P R 282225Z MAY 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 0238

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L L I M A 4 1 2 5

E.O. 11652: GDS

TAGS: BEXP, ENRG, PE

SUBJECT: JAPANESE SIGN LOAN AGREEMENT WITH PERU TO FINANCE
TRANS-ANDEAN PIPELINE

REFS: LIMA 3944, 3422 (NOTAL) AND PREVIOUS

1. LOCAL BANK OF AMERICAN MANAGER INFORMED EMBASSY IN
CONFIDENCE MAY 28 THAT HE HAS JUST LEARNED FROM COFIDE
OFFICIAL THAT PERUVIANS SIGNED A LOAN AGREEMENT WITH
JAPANESE DURING LAST WEEKEND FOR TRANS-ANDEAN PIPELINE.
LOAN IS FOR TOTAL OF \$320,000,000, \$220,000,000 FOR
CONSTRUCTION OF PIPELINE (6 PERCENT INTEREST, 4 YEARS GRACE,
14 YEAR PAYMENT). AND \$100,000,000 FOR EQUIPMENT (6.5 PERCENT
INTEREST, 4 YEARS GRADE, 14 YEAR PAYMENT). JAPANESE WILL
RECEIVE 60,000 BPD OF CRUDE IN PARTIAL PAYMENT. FURTHER,
JAPANESE ALSO MAKING AVAILABLE A SECOND LOAN TO COVER INTEREST
COSTS ON THE FIRST, SO THAT DURING GRACE PERIOD, FOREIGN
EXCHANGE COSTS TO PERU WILL BE MINIMAL. BANK MANAGER SAID GOP
STILL CONSIDERING VARIOUS COMMERCIAL FINANCING PACKAGES FOR
THE PURCHASE OF THE JAPANESE AND GERMAN PIPE (\$80,000,000).

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2. COMMENT: PETROPERU PRESIDENT FERNANDEZ BACA TOLD EMBASSY OFFICERS RECENTLY THAT MAJOR STUMBLING BLOCK TO PERU'S ACCEPTANCE OF JAPANESE OFFER WAS FACT THAT PERU DID NOT WANT TO SELL CRUDE, BUT REFINED PRODUCT. HOWEVER, GIVEN VERY GENEROUS TERMS (6 PERCENT INTEREST), IT APPEARS THAT THE PERUVIANS FINALLY ACQUIESCED ON THIS POINT. IT SHOULD BE NOTED THAT JAPANESE LOAN COVERS ONLY ABOUT TWO-THIRDS OF TOTAL ESTIMATED COSTS OF PROJECT, WITH COMMERCIAL BANKS EXPECTED TO FINANCE THE REMAINDER. FACT THAT JAPANESE MAKING LOAN WILL PROBABLY NOT HAVE ANY DIRECT EFFECT ON PETROPERU DECISION REGARDING CHOICE OF CONSTRUCTION FIRM(S), SINCE NO JAPANESE FIRMS IN CONTENTION. IN EMBASSY OPINION, THIS DEVELOPMENT WOULD ARGUE FOR EXIMBANK FINANCING FOR THOSE PARTS OF PIPELINE PROJECT FOR WHICH U.S. FIRMS ARE IN CONTENTION, E.G., PAGE COMMUNICATION'S AND ITT'S PROPOSAL TO SUPPLY TELECOMMUNICATIONS EQUIPMENT (STATE 083547).
DEAN

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